



**JOHN CHIANG**  
**California State Controller**

June 3, 2014

Brock McMurray, Vice President of Student Services  
West Kern Community College District  
29 Emmons Park Drive  
Taft, CA 93268

Dear Mr. McMurray:

The State Controller's Office reviewed the costs claimed by the West Kern Community College District for the legislatively mandated Integrated Waste Management (IWM) Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 2001, through June 30, 2007. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$80,065 for the mandated program. Our review found that \$55,938 is allowable (\$60,050 less a \$4,112 penalty for filing late claims) and \$24,127 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its IWM plan, as described in the attached Summary of Program Costs (Attachment 1), Summary of Offsetting Savings Calculations (Attachment 2), and the Finding and Recommendation (Attachment 3). The State made no payments to the district. The State will pay \$55,938, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/mh

RE: S14-MCC-943

Brock McMurray,  
Vice President of Student Services

-2-

June 3, 2014

cc: Michael Capela, Recycling Coordinator  
West Kern Community College District  
Christine Atalig, Specialist, College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Mollie Quasebarth, Principal Program Budget Analyst  
Education Systems Unit, California Department of Finance  
Mario Rodriguez, Finance Budget Analyst  
Education Systems Unit, California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Attachment 1— Summary of Program Costs July 1, 2001, through June 30, 2007

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits	\$ 4,328	\$ 4,328	\$ —
Contract services	7,495	7,495	—
Total direct costs	11,823	11,823	—
Indirect costs	1,719	1,719	—
Total direct and indirect costs	13,542	13,542	—
Less offsetting savings <sup>2</sup>	—	(2,186)	(2,186)
Subtotal	13,542	11,356	(2,186)
Less late filing penalty <sup>3</sup>	—	(1,136)	(1,136)
Total program costs	<u>\$ 13,542</u>	10,220	<u>\$ (3,322)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,220</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits	\$ 4,838	\$ 4,838	\$ —
Contract services	6,300	6,300	—
Total direct costs	11,138	11,138	—
Indirect costs	1,812	1,812	—
Total direct and indirect costs	12,950	12,950	—
Less offsetting savings <sup>2</sup>	—	(3,008)	(3,008)
Subtotal	12,950	9,942	(3,008)
Less late filing penalty <sup>3</sup>	—	(994)	(994)
Total program costs	<u>\$ 12,950</u>	8,948	<u>\$ (4,002)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 8,948</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 5,315	\$ 5,315	\$ —
Contract services	5,425	5,425	—
Total direct costs	10,740	10,740	—
Indirect costs	1,689	1,689	—
Total direct and indirect costs	12,429	12,429	—
Less offsetting savings <sup>2</sup>	—	(3,192)	(3,192)
Subtotal	12,429	9,237	(3,192)
Less late filing penalty <sup>3</sup>	—	(924)	(924)

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2003, through June 30, 2004 (continued)</u>			
Total program costs	\$ 12,429	8,313	\$ (4,116)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 8,313	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 5,882	\$ 5,882	\$ —
Contract services	5,780	5,780	—
Total direct costs	11,662	11,662	—
Indirect costs	2,254	2,254	—
Total direct and indirect costs	13,916	13,916	—
Less offsetting savings <sup>2</sup>	—	(3,333)	(3,333)
Subtotal	13,916	10,583	(3,333)
Less late filing penalty <sup>3</sup>	—	(1,058)	(1,058)
Total program costs	\$ 13,916	9,525	\$ (4,391)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 9,525	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 6,096	\$ 6,096	\$ —
Contract services	8,100	8,100	—
Fixed assets	9,089	9,089	—
Total direct costs	23,285	23,285	—
Indirect costs	2,093	2,093	—
Total direct and indirect costs	25,378	25,378	—
Less offsetting savings <sup>2</sup>	—	(6,446)	(6,446)
Total program costs	\$ 25,378	18,932	\$ (6,446)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 18,932	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Contract services	\$ 1,850	\$ 1,850	\$ —
Less offsetting savings <sup>2</sup>	—	(8,336)	(8,336)
Subtotal	1,850	(6,486)	(8,336)
Adjustment to eliminate negative balance	—	6,486	6,486
Total program costs	\$ 1,850	—	\$ (1,850)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		\$ —	

**Attachment 1 (continued)**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment <sup>1</sup></u>
<u>Summary: July 1, 2001, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 26,459	\$ 26,459	\$ —
Contract services	34,950	34,950	—
Fixed assets	9,089	9,089	—
Total direct costs	70,498	70,498	—
Indirect costs	9,567	9,567	—
Total direct and indirect costs	80,065	80,065	—
Less offsetting savings	—	(26,501)	(26,501)
Subtotal	80,065	53,564	(26,501)
Adjustment to eliminate negative balance	—	6,486	6,486
Subtotal	80,065	60,050	(20,015)
Less late filing penalty	—	(4,112)	(4,112)
Total program costs	<u>\$ 80,065</u>	55,938	<u>\$ (24,127)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 55,938</u>	

<sup>1</sup> See Attachment 3, Finding and Recommendation.

<sup>2</sup> See Attachment 2, Summary of Offsetting Savings Calculations.

<sup>3</sup> The district filed its fiscal year (FY) 2001-02 through FY 2004-05 initial reimbursement claims after the due date specified in Government Code section 17560. Pursuant to Government Code section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002).

## Attachment 2— Summary of Offsetting Savings Calculations July 1, 2001, through June 30, 2007

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2001, through June 30, 2002</u>					
Maximum required diversion percentage		25.00%	50.00%		
Actual diversion percentage		÷ 50.86%	÷ 51.07%		
Allocated diversion percentage		49.15%	97.90%		
Tonnage diverted	×	(39.75)	×	(41.65)	
Statewide average landfill fee per ton	×	\$36.39	×	\$36.17	
Offsetting savings, FY 2001-02	\$ —	\$ (711)	\$ (1,475)	\$ (2,186)	\$ (2,186)
<u>July 1, 2002 through June 30, 2003</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 51.07%	÷ 52.79%		
Allocated diversion percentage		97.90%	94.71%		
Tonnage diverted	×	(41.65)	×	(43.95)	
Statewide average landfill fee per ton	×	\$36.17	×	\$36.83	
Offsetting savings, FY 2002-03	\$ —	\$ (1,475)	\$ (1,533)	\$ (3,008)	\$ (3,008)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 52.79%	÷ 54.83%		
Allocated diversion percentage		94.71%	91.19%		
Tonnage diverted	×	(43.95)	×	(47.35)	
Statewide average landfill fee per ton	×	\$36.83	×	\$38.42	
Offsetting savings, FY 2003-04	\$ —	\$ (1,533)	\$ (1,659)	\$ (3,192)	\$ (3,192)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 54.83%	÷ 53.99%		
Allocated diversion percentage		91.19%	92.61%		
Tonnage diverted	×	(47.35)	×	(46.35)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Offsetting savings, FY 2004-05	\$ —	\$ (1,659)	\$ (1,674)	\$ (3,333)	\$ (3,333)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 53.99%	÷ 75.47%		
Allocated diversion percentage		92.61%	66.25%		
Tonnage diverted	×	(46.35)	×	(156.60)	
Statewide average landfill fee per ton	×	\$39.00	×	\$46.00	
Offsetting savings, FY 2005-06	\$ —	\$ (1,674)	\$ (4,772)	\$ (6,446)	\$ (6,446)

## Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2006, through June 30, 2007</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 75.47%	÷ 65.99%		
Allocated diversion percentage		66.25%	75.77%		
Tonnage diverted	×	(156.60)	×	(98.00)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Offsetting savings, FY 2006-07	\$ —	\$ (4,772)	\$ (3,564)	\$ (8,336)	\$ (8,336)
<u>Summary: July 1, 2001, through June 30, 2007</u>					
	\$ —	\$ (11,824)	\$ (14,677)	\$ (26,501)	\$ (26,501)

<sup>1</sup> See Attachment 3, Finding and Recommendation.

## Attachment 3— Finding and Recommendation July 1, 2001, through June 30, 2007

### **FINDING— Unreported offsetting savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We found that the district realized savings of \$26,501 from implementation of its integrated waste management (IWM) plan.

We informed Brock McMurray, Vice President of Student Services, of the review finding via email on May 13, 2014. On May 23, 2014, we had a telephone conversation with Michael Capela, Recycling Coordinator, regarding the finding and offsetting savings calculation. Mr. Capela stated that the methodology to calculate the adjustment “made sense.”

The following table summarizes the unreported offsetting savings by fiscal year:

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
2001-02	\$ -	\$ (2,186)	\$ (2,186)
2002-03	-	(3,008)	(3,008)
2003-04	-	(3,192)	(3,192)
2004-05	-	(3,333)	(3,333)
2005-06	-	(6,446)	(6,446)
2006-07	-	(8,336)	(8,336)
Total	<u>\$ -</u>	<u>\$ (26,501)</u>	<u>\$ (26,501)</u>

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the IWM Program. The CSM determined that Chapter 1116, Statutes of 1992 and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

The program’s parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on March 30, 2005.

In March 2007, the Department of Finance and the IWM Board filed a petition for a Writ of Mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges’ cost savings (e.g., avoided landfill disposal fees) and revenues (from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the CSM to amend the parameters and guidelines to require community college districts to identify and offset from their claims cost savings realized as a result of implementing their plan.



On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court's decision interprets the test claim statutes as a question of law.

In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.

The parameters and guidelines (section VIII Offsetting Cost Savings) state:

Reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management Plans shall be identified and offset from this claim as cost savings, consistent with the direction for revenue in Public Contract Code sections 12167 and 12167.1.

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund. The revenues are to be continuously appropriated to the Board for the purpose of offsetting recycling program costs. For the review period, the district did not remit to the State the savings realized from implementation of its IWM plan.

### Offsetting Savings Calculation

The CSM's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8—CSM hearing of September 26, 2008) states:

...cost savings may be calculated from the annual solid waste disposal reduction or diversion rates that community colleges must annually report to the Board pursuant to Public Resources Code section 42926, subdivision (b) (1).

To compute the savings amount, we multiplied the allocated diversion percentage by the tonnage diverted, and then multiplied the total by the avoided landfill disposal fee, as follows:

$$\text{Offsetting Savings Realized} = \frac{\text{Maximum Required Diversion \%}}{\text{Actual Diversion \%}} \times \text{Tonnage Diverted} \times \text{Avoided Landfill Disposal Fee (per Ton)}$$

This calculation determines the cost that the district did not incur for solid waste disposal as a result of implementing its IWM plan. The offsetting savings calculation is presented in Attachment 2 – Summary of Offsetting Savings Calculations.

#### *Allocated Diversion Percentage*

Public Resource Code 42921 requires districts to achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction when they fall short of stated goals, but not for amounts that exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2001 through 2007, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

#### *Tonnage Diverted*

The tonnage diverted is solid waste that the district recycled, composted, and kept out of a landfill.

For calendar years 2001 through 2007, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

#### *Avoided Landfill Disposal Fee (per Ton)*

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at a landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide any documentation supporting a different disposal fee.

#### Recommendation

The IWM Program was suspended in the fiscal year (FY) 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district offset all savings realized from implementation of its IWM plan.